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Improving business performance: Restructuring your organization for results; Business advice from CPAs

American Institute of Certified Public Accountants. Communications Division

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D**DESIGNING A NEW STRUCTURE**

Designing the right structure for your organization's future requires an objective and coordinated review of present operations and needs. Additionally, knowledge of the company's operations and objectives, human relations principles and management techniques, is required to adopt the most effective organizational approach for your business.

CPAs can help you structure your company so that sufficient, qualified personnel are at the proper levels in the company and understand their duties, responsibilities and relationships to areas of the organization. Additionally, they may identify ways to match compensation and incentives to the achievement of company goals. They can also restructure tasks to improve lines of communication and productivity, thereby enhancing employee motivation and morale.

A CPA CAN HELP YOU

- ♦ Analyze and evaluate your present organizational structure.
- ♦ Plan and implement changes in your organizational structure.
- ♦ Review corporate objectives.
- ♦ Increase awareness of management styles and their effects on productivity.
- ♦ Develop job descriptions and evaluation methods.
- ♦ Develop incentive and reward systems.
- ♦ Identify recruiting needs.
- ♦ Analyze compensation and benefit plans.
- ♦ Enhance internal communications.
- ♦ Improve personnel administration.

Restructuring your organization may enable you to operate more effectively. CPAs, with their requisite knowledge of different types of organizational structures, can help you create innovative changes in your organization. Contact a CPA for more information.

AICPA *"The Measure of Excellence"*

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I**MPROVING****B****USINESS****P****ERFORMANCE**

*Restructuring Your
 Organization for Results*

BUSINESS**ADVICE****FROM****CPAs**

Your business' performance is determined by its organizational structure: the personnel, policies, procedures and systems, as well as the activities and relationships of your business. Building a strong business organization for your company can result in:

- ◆ MORE EFFICIENT OPERATIONS.
- ◆ IMPROVED COMMUNICATIONS.
- ◆ ENHANCED PROFITABILITY.
- ◆ BETTER UTILIZATION OF EMPLOYEES' TALENTS.

As companies compete in a tough global marketplace, the certified public accountant's (CPA) role as business advisor becomes more essential. In response to their clients' diverse needs, CPAs have developed expertise in such specialized areas as information technology, human resources and operational efficiency.

Though you know your business better than anyone else, it may be difficult for you to see the weaknesses that could cause its downfall. CPAs can assist you in identifying problems caused by your organizational structure. Because of their broad experience with financial and business matters, CPAs can help you implement practical solutions to improve the efficiency of your business. They may be able to provide you with the objective insight you need to create a solid foundation for your company, or direct you to other professionals who can.

R

REASONS TO RESTRUCTURE

The changing business environment may call for changes in your organizational structure. For example, if your company has merged with or acquired another company, introduced a new product line, acquired new technology, or downsized, you will probably need to restructure.

Your organization must have the right people employed in the right places for it to function effectively and profitably. In particular, the following symptoms may signal a need for organizational change:

Low employee morale.

Esprit de corps is missing. Your staff's fears and anxieties about their jobs may be reflected in anger toward the company, resulting in low productivity.

High employee turnover.

Continuous personnel changes result in increased training costs and low productivity, and management can't determine the cause.

High labor costs.

Labor costs are creeping up faster than increases in productivity or sales.

Inefficient operations.

The company is unable to handle sudden growth resulting from increased demand for a product or service.

Poor internal communications.

The owners/managers do not have timely access to data needed to manage the business. One department may not know the effect of its operations on other departments within the organization, or what financial commitments are made on its behalf.

Decreased profitability.

Downward trends in profitability and key financial ratios require a review of the operations.

E

VALUATE YOUR PRESENT PERFORMANCE

A review of your current business performance can provide you with insight on what changes need to be made. Through interviews, questionnaires and observation, CPAs can gather the data needed to evaluate your present organizational structure objectively.

To analyze your present business performance, CPAs may consider the impact of:

- ◆ Company goals and objectives.
- ◆ Corporate culture.
- ◆ Day-to-day reporting and decision-making practices.
- ◆ Ownership structure and entity structure.
- ◆ Succession plans of owners/managers.
- ◆ Coordination of activities, lines of reporting and communication.
- ◆ Management information and reporting systems.
- ◆ Capabilities and limitations of management and key personnel.
- ◆ Staffing levels in relation to volume of activity.

Knowledge of your resources and the services or products produced by the company is also imperative. CPAs are especially qualified to evaluate these areas because of their financial and business expertise.

A thorough investigation of your business will provide a clear picture of its strengths and weaknesses. Areas for improvement can only be identified after an objective evaluation of your company. Then, appropriate solutions and alternatives can be developed to strengthen your organization.

CPAs will review how various elements of your business fit with one another and with the organization's environment. They can also review the effectiveness of your business and advise you on how it can be improved.